Finmeccanica Investors Day

Tuesday 21st November 2006
Finmeccanica Investors Day

Giancarlo Grasso
CEO
SELEX Sensors & Airborne SpA
Main Financial Results

<table>
<thead>
<tr>
<th>(mln Euro)</th>
<th>FY05*</th>
</tr>
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<tbody>
<tr>
<td>Value of Production</td>
<td>1,709</td>
</tr>
<tr>
<td>Total R&amp;D %</td>
<td>16%</td>
</tr>
<tr>
<td>of which self-funded</td>
<td>3%</td>
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<tr>
<td>Order Backlog</td>
<td>4,040</td>
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<tr>
<td>Total headcount</td>
<td>7,200</td>
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(*) Including pro-forma 12 months of SELEX S&AS Ltd.
The Market

- Total reference market (Airborne Systems, Avionics, EW, Radar, E-O, UAV etc.) amounts to 26.5 Bln€ (e.c 2005)

- Addressable market: 6.8 Bln€, out of which 2 Bln€ in US

- Average CAGR for addressable expected till 2010: 6.8% with higher rates for Airborne Radars, UAVs and Situational Awareness

- Major market drivers:
  - Airborne Radars
  - Situation Awareness
  - UK focus - DIS
  - Increase in Unmanned systems
  - Shift towards Land Forces

Source: - FNM Competitive Scenario
High Level Plan

LEVEL 4

Strategy for Development in US

Build on US/UK relationships

LEVEL 3

UK Solutions Provider

Leverage, mass & scope

LEVEL 2

Provide competitive capabilities for Finmeccanica

Platforms

Systems

LEVEL 1

Excellence in Sensors and Airborne Systems

US Partnerships

Open Market

Key enabler

Key enabler

Key enabler
Finmeccanica Investors Day

Nick Franks
Managing Director
SELEX Sensors & Airborne Systems
UK
SELEX Sensors and Airborne Systems UK employs 7,200 people and has operations in Italy, UK and the United States.
**Products and Capabilities**

**Airborne Targeting and Surveillance**
- Seaspray
- PicoSAR
- E-Scan Sea spray & PicoSAR

**ISTAR**

**Defensive Aids**
- DIRC-M
- Laser Range Finder/Designator
- Directional IR Counter Measures & Lasers

**Land**
- PAR 2090 C
- LINAPS

**Integrated Support**
- PAR, HALO, LINAPS
- Future Soldier

**Combat**
- FALCO
- Falco UAV System

**Space**
- ATOS System
- Space E/O sensors
- ATOS surveillance system
Current Main Programmes

**Eurofighter Typhoon**
- DASS
- Weapon System Computer
- Captor Radar
- Navigation Subsystem
- IRST

**TORNADO**
- Export Version (SAUDI)
- Support & Upgrading
- Upgrade

**EH-101**
- Computers
- Control Panels
- Radar
- Automatic Flight Control System

**NH-90**
- Radar
- COMPUTERS
- Sonics
- Navigation FLIR
Linking SELEX S&AS UK Capabilities to Future Opportunities

**Capabilities**
- Electronically & mechanical scanned radar subsystems
- Tornado & Typhoon upgrade
- Light weight fire control export upgrades
- Lightweight UAV sensor
- Rotary and fixed wing surveillance

**Opportunities**
- Sensors for future AFVs
- airborne targeting
- US airborne tactical laser market
- Space sensors
- Scientific/remote
- EFA DASS
- HIDAS exports
- US DIRCM
- TEWS
- Skyshadow upgrade
- Self protection upgrades
- High performance EO detectors
- Modular AFV sensor family
- Military lasers
- Hyperspectral
- Defensive aides system and key components
- DIRCM major subsystem
- TUAV solution
- Integrated Surveillance solutions
- Data fusion
- UK & IT UOR & Export TUAVs
- ATOS
- AGS
- Situational Awareness
- Existing Progs
- TSS Alliance in UK
- DARA partnership
- FNM Team for IT operational sup.
- UK & IT Typhoon (& JSF) support
- Other IT & UK fixed wing
- Support to Agusta/Westland fleets
Future Programmes

NATO AGS
- Mission Systems
- TCAR - Transatlantic Co-operative AGS Radar

FUTURE LYNX
- Defensive Aids Suite
- Radar
- Through life Support & Upgrades

Falco UAV Tactical System
- Platform
- E/O
- Radar
- EW
- Operations

JSF
- National industrial Works TBD
- E/O
- Radar
- Through Life Support & Upgrades

FRES & BIT
- E/O Turrets
- Defensive aids
- Precision Targeting
- Situational Awareness
Efficiency Programmes & Integration

- Introduction of SAP
- Engineering Best Practice: CMMI …
- Site Rationalisation – Co location of SELEX Comms and SELEX S&AS UK in Basildon
- International Sales Co-ordination
- Optimised Product Portfolio and Policy
- Acceleration of efficiency plans to improve cost basis
- PV planning optimisation to enhance time-to-market of key products
- Procurement spend initiatives increasing in effectiveness
- Manufacturing Centers of Excellence
- Technology Sharing
UK Market Development

• UK Defence Industrial Strategy is changing the dynamics of the UK market
• Focus of attention / budgets on Through Life Capability Management
• Frequent capability enhancement via technology insertion
• Differentiates sovereign technology and delivers sustainment plans
• Impact on Finmeccanica / SELEX S&AS UK
  • Sensors recognised as key to capability enhancement and classified as sovereign
  • Opens up opportunities for SELEX S&AS UK as solutions provider / systems integrator – expanded role
  • Clarifies SELEX S&AS UK strategic direction including future M&A targets
  • Enables SELEX S&AS UK to leverage associated Italian technologies
  • Raises SELEX S&AS UK profile and visibility with the key customer
  • Promotes linkage to other markets – security/HLS
  • Strengthens technology partnerships with US – access to US programmes
  • Reference model for key export territories, eg Middle East, Asia
**Strategic Focus**

- Deliver value from Strong Order Book
- EFA Tranche 2 delivery, export and future support/upgrade potential
- Established US positions: DIRCM; JSF EOTS; FNM Platforms
- **Exploit strong product portfolio into export market**
  - US – further surveillance radar and military laser opportunities – expand footprint through M&A
  - RoW – use incumbency position on platforms to deliver capability upgrades
- **Exploit land systems growth opportunity**
  - Build on early product wins and UORs to deliver comprehensive sensor solution for UK & IT AFV fleet re-capitalisation
- **Enhance core product offerings to offer more integrated solutions**
  - Support Solutions – building on existing Tornado, SKIOS and Mirach success
  - Integrated sensor and defensive aids systems
  - Network enabled and integrated airborne surveillance solutions: Falco, AGS …
- **Proactive response to new UK environment catalysed by DIS**
  - Capability insertion via technology insertion
  - Strategic partnerships and M&A
Turning Vision into Value

- Leading non-US supplier for:
  - Airborne Radar and E/O Sensors
  - Self Protection
  - ISTAR and airborne Situation Awareness Systems
  - Integrated Operational Support
  - Land platform sensors

- Value-adding partner to other FNM businesses including market lead for relevant opportunities

- Tier I Partner with major platform manufacturers for capability insertion throughout life cycle

- A recognised substantive provider to the US defence electronics market (also through acquisitions)

- Increase Competitiveness on Rest of World (ROW) Markets

- Response to Urgent Operational Requirements (UORs) for UK & IT
Value Drivers

Vic Leverett
Group Strategy Director
SELEX Sensors & Airborne Systems
UK
Investment Priorities

• **Customer Facing**
  • Direct linkage to operational effect
  • Sustaining requirement

• **IPR creation and protection**
  • Own core technologies
  • Strategic supply agreements
    - Cost/availability
    - Leverage innovation

• **Export leverage**
  • Strengthen UK/US partnerships
  • Exploit UK “reference” solutions
  • Access adjacent “sensor to effect” markets
• **Air Combat**  
  • Precision targeting, surveillance, airspace denial

• **Land Systems**  
  • Ground manoeuvre (situation awareness, self protection, lethality)

• **Battlespace and Intelligence**  
  • Networked sensors, secure communications, command and control

• **Security**  
  • Air traffic management, border protection, people/vehicle tracking
Programme for the day

Doug Baxter
Managing Director & Site General Manager, Basildon
Programme of Activities

• Four Capability Zones (10.45am – 12.45pm)
  • Air Combat
  • Land Systems
  • Battlespace/Intelligence
  • Border Security/Homeland Defence

Additional activities & areas of interest
• Manufacturing Hall
• Javelin Simulator

• Sir Brian Burridge presentation – users perspective (12.45pm)
• Engineering Excellence display / Lunch (1.15pm)
• Q&A session (2.15pm)
• Departure (2.30pm)
Tour Leaders

• Vic Leverett  
  Group Strategy Director - SELEX Sensors & Airborne Systems

• Phil Robinson  
  Senior VP, SELEX Comms

• Mike Clayforth-Carr  
  CEO, SELEX Sistemi Integrati

• Doug Baxter  
  MD & Site General Manager, Basildon, SELEX S&AS UK
Zone Manager

Steve Marlow, Vice President Surveillance Radar, SELEX S&AS UK

Technology
• ESCAN radar
• Vixen 500E
• Typhoon DASS Eurofighter model
• HIDAS Simulation
• Laser – JSF/DIRCM static models
• Videos: ATFLIR, Active Imaging, Stormshadow
Land Systems Zone

Zone Manager & support

Gavin Williamson, EVP Land Systems, SELEX S&AS UK
Nick McLeod-Ash, Capability Integration Director, AgustaWestland

Technology
• IR Detectors
• STAWS
• Enforcer
• DNVS
• AgustaWestland Helicopters
Zone Manager

**Dave Ward**, VP Marketing & Business Development UK, SELEX Comms

Technology
- HALO
- Personal Role Radio
- Infantry Soldier Situational Awareness Tool
- Sentinel Soft Switch
- Sentinel VoIP Phone
- Halcyon Crypto
- Ambriel
- Videos: HALO/LINAPS
Zone Manager

**Chris Wilson**, MoD Account Manager, SELEX Sistemi Integrati

Technology

- MSU
- PALS
- HYDRA
- VTMS demo
- Vessel Traffic Management Service
- Network Centric Operations
- Fingerprint number plate recognition
The User’s Perspective

Sir Brian Burridge
The User’s Problem

- The changing battlespace
- Enhancing capability to match
- Affordability
The Changing Battlespace

- Information
- Certainty
- Speed
- Legality
Enhancing Capability to Match

- Situational awareness - lethality - self protection
- Obsolescence
- Platform maturity
- Software, systems and sensors
- Systems integration - from everywhere
Affordability

- Defining the right solution
- Allow industry to control time
- Realistic view of risk
- Long term capability growth path